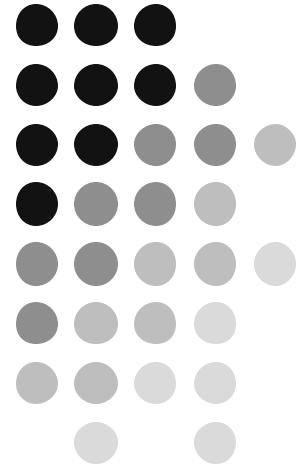
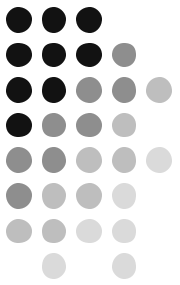


Coming Changes to How FMS Collects Revenue and Reports Transactions for Agencies

- 17th Annual Government Financial
Management Conference -

- August 9, 2007 -

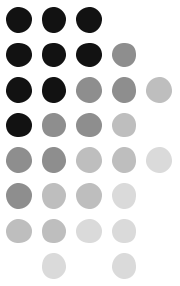




Topics

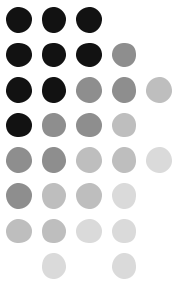
- Background
- CCMM Overview
- Notional End-state Diagram
- As-Is and To-Be Diagrams
- CCMM Principles
- CCMM Business Lines
- Key Deliverables
- Short-Term Objectives
- Tracking Benefits and Costs
- Governance
- Communication

Background: Role of Federal Finance (FF) within FMS



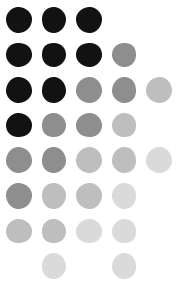
- Federal Finance (FF) has three main responsibilities:
 - Collects the Government's revenue;
 - Assists Treasury in its forecasting of Treasury's financing needs; and
 - Assists Treasury in its investment of excess operating revenue.
- Collecting the revenue requires that FMS also provide reports to agencies, as well as concentrate and account for the revenue

Background: FF's Business Scope



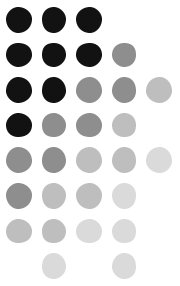
- \$2.9 trillion in annual gross revenue collections
- 400 million revenue transactions
- \$19.8 billion average daily investment balance
- Hundreds of agency office customers
- Extensive use of fiscal and financial agents:
 - Nine FRBs
 - Over 20 commercial financial institutions
 - 135 TGA depositories
 - Thousands of TT&L depositories
- \$500 million in expenses

Background: Example of Revenue Collections



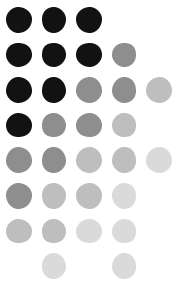
- Taxes (over \$2 trillion)
 - Passport applications and fees
 - Student loan repayments
 - Customs duties
 - National Park entrance fees
 - Defense commissary retail sales
 - U.S. Mint coin sales
 - Donations to U.S. Battle Monuments Commission
 - SEC filing fees
 - FCC airwave fees
-
- Note: In most instances, FF services and systems handle not only the financial information, but also the program information

Background: FF's Push Toward Modernization



- FF uses a large number of systems to implement its responsibilities
 - Federal Finance has only 125 employees, but has 18 systems on the FISMA portfolio
 - IRS has 100,000 employees, but has 82 systems (FY 2005 FISMA Report)
 - FF uses commercial banks (financial agents) and Federal Reserve Banks (fiscal agents) to help build and operate its systems
- To become more efficient in meeting its responsibilities, as well as to reduce expenses, FF has begun an effort it refers to as “Collections and Cash Management Modernization” (CCMM)
- This initiative will have an impact on agencies
 - Collections
 - Reporting
 - Forecasting

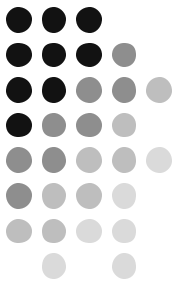
CCMM Overview: Introduction



- CCMM is an enterprise architecture initiative to streamline, modernize, and improve the services, systems, and processes supporting FMS's and Treasury's collections and cash management programs
 - An end state with a high level roadmap, not a new management structure
 - Focus is on business architecture, not data architecture or technical architecture
 - Delineates business lines against which IT systems are to be re-aligned
- Re-architecting of programs and processes that have accumulated over many decades
- Applies to most of FF's programs
- Impacts other major business lines (accounting, payments)
- 4 years to achieve end state

CCMM Overview:

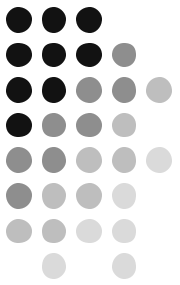
Reasons for CCMM



- Cost savings
 - Reduction in number of systems and processes
 - Elimination of duplicative data, applications, products, interfaces, and technologies
 - Avoidance of dependency on particular agent banks
- Efficiency
 - Current operations are highly effective, but not efficient
 - Complexity of the As-Is model and systems architecture is a growing operational risk to the Government
 - As-Is model lacks economies of scale
 - Need to re-evaluate, simplify, and standardize processes that have accumulated over 30+ years (or in the case of one program, 90 years)
 - FMS commitment to enterprise architecture
 - Need for strategic approach

Notional End State

Showing Straight-Through Processing



Collect ————— Report ——— **Concentrate
& Account** — Forecast — Invest

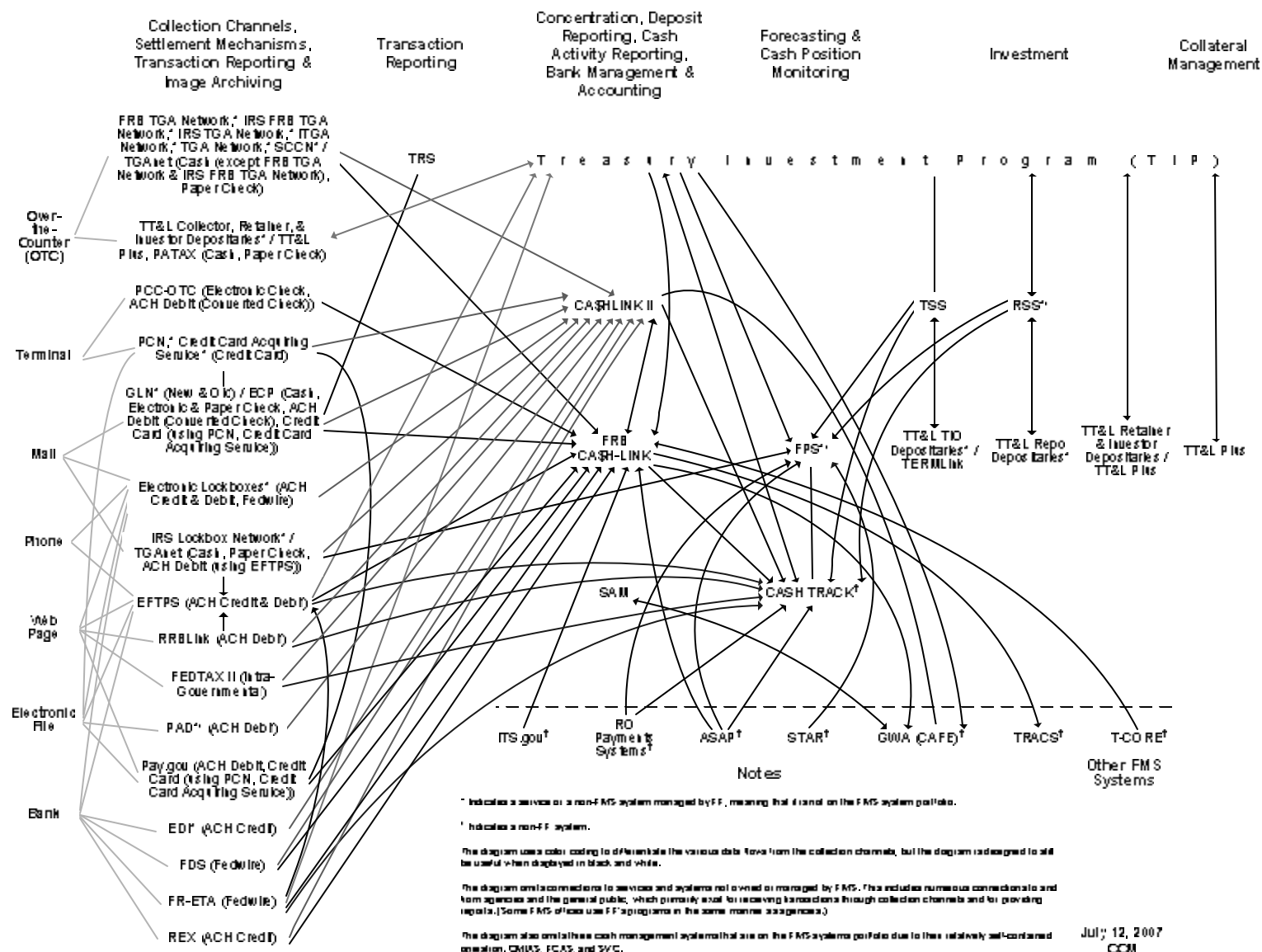
**Collection
Channels**

**Settlement
Gateways &
Mechanisms**

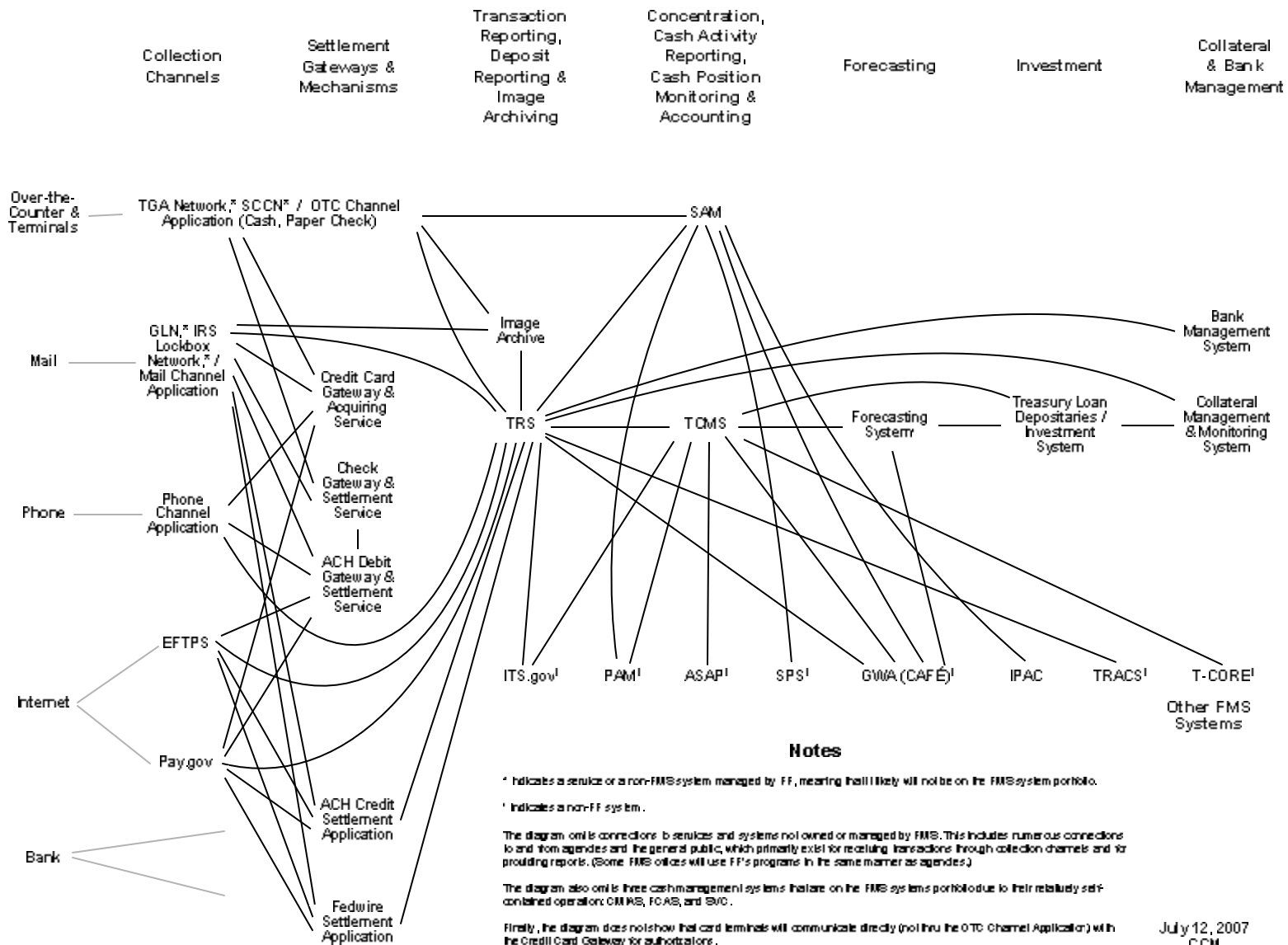
OTC	Card
Mail	Check
Phone	ACH Debit
Internet	ACH Credit
Bank	Wire

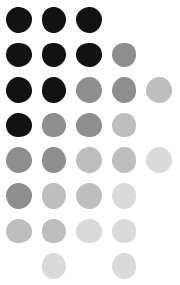
Support systems: Bank Management, Collateral Management

Collections & Cash Management Modernization: "As Is"



Collections & Cash Management Modernization: "To Be"

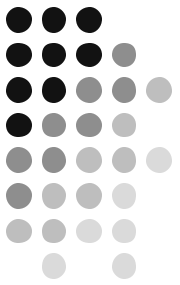




CCMM Principles

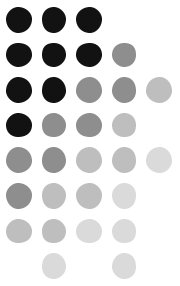
- Separation of collection channels from settlement mechanisms
- One system per collection channel
- One system per settlement mechanism
- Settlement as a “service”
- Shared services to avoid duplicate support functions across business lines
- Reorganization of management and IT systems along clear business lines
- Elimination of conglomerate systems that span multiple business lines (CA\$HLINK II, TT&L)
- One straight-through process for all collections transactions
- Reduction in number of systems and agents
- Consolidation of touch points to banks and agencies (TRS model)
- Visibility into collection transaction details (vs. summary level)
- Reduction of collection and settlement “hops”
- Use of commercial processes instead of Government-specific processes (OTC deposit reporting, investments)
- One XML schema for all interfaces (no proprietary reporting formats)
- Central data warehouse as system of record for all collections transactions
- One bank per business line (aside from network banks)

CCMM Business Lines



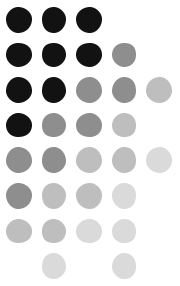
- Collection Channels
 - OTC & Terminals
 - Mail
 - Phone
 - Internet
 - Bank
 - ACH Credit
 - Fedwire
- Settlement Gateways & Mechanisms
 - ACH Debit
 - Check
 - Credit Card
- Transaction Reporting
- Image Archiving
- Concentration (of deposits from depositaries and agents)
- Accounting
- Forecasting (and management of cash position)
- Investment (of excess operating balances)
- Collateral
- Bank Management
- Call center
- Online banking

CCMM Business Lines: Collection Channels



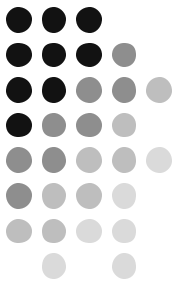
- Overview
 - Definitions
 - Channel: medium through which FMS first acquires a transaction
 - OTC & Terminals
 - Mail
 - Phone
 - Web Page & Electronic File
 - Bank
 - ACH Credit
 - Fedwire
 - Channel application: IT system that applies business rules and logic to transactions received through a channel
 - Exception: Bank channel
 - Current state
 - No notion of “channels” or channel management, only “collection systems”
 - Collection systems perform all functions
 - Acquire transactions, settlement, reporting, archiving, etc.
 - Duplication of functions
 - Each channel is served by at least two major programs
 - Management of individual banks/agents, not business lines
 - E.g., 7 lockbox banks, each with proprietary processes, each serving different channels

CCMM Business Lines: Collection Channels



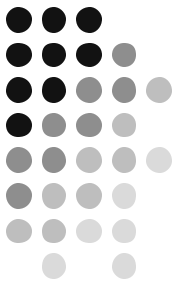
- Future state
 - One system per channel
 - Settlement separated out and handled by separate systems
 - Transaction reporting separated out and moved to TRS, using XML schema, and images stored in image archive
 - Reduction of unneeded duplication and complexity

CCMM Business Lines: Settlement Gateways & Mechanisms



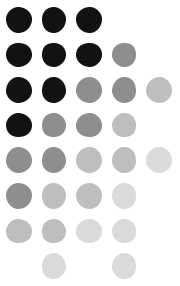
- Definitions
 - Settlement gateway: brokers transactions from channel applications into settlement
 - Credit card, check, ACH debits
 - Settlement application or service: processes settlement and serves as entry point to the payments system
 - Credit card, check, ACH debits, ACH credits, wire
- Current state
 - No notion of settlement gateways, applications, or services, only “collection systems”
 - Collection systems perform all functions
 - Acquire transactions, settlement, reporting, archiving, etc.
 - Duplication of functions
 - ACH Debits are performed by eight programs and ten banks

CCMM Business Lines: Settlement Gateways & Mechanisms



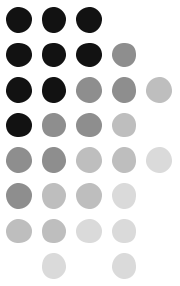
- Future state
 - Separate channels from settlement
 - Cornerstone of the collections line EA
 - One system per settlement mechanism
 - Settlement gateways will receive transactions from channel applications, using standard XML schema
 - Settlement as service

CCMM Business Lines: Transaction Reporting, Deposit Reporting & Image Archiving



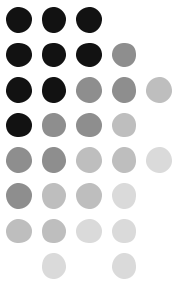
- Current state
 - Programs provide transaction details, images, and deposit reports separately
 - 20+ programs providing transaction details
 - Reconciliation headaches for agencies
 - Risk of dependency on particular banks
- Future state
 - TRS will consolidate daily transaction details from all collection programs and provide deposit reports as well
 - Standard XML schema used for reporting purposes
 - Central reporting hub replaces many-to-many reporting connections, and breaks direct link between agencies and agent banks
 - Central data warehouse as system of record for all collections transactions
 - Datawarehouse technology providing management visibility and business analytics into collection activity; datamarts for each user of data
 - Consolidated forecasting feed for all receipts activity
 - Image archive (accessed by TRS) will provide images
 - TRS implementation is at the heart of the new architecture

CCMM Business Lines: Concentration & Accounting



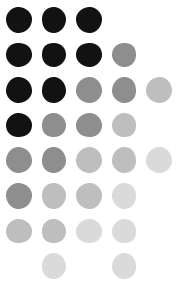
- Overview
 - Consolidate various solutions used for concentration
 - Move restorations to the OTC & Terminals channel
 - Move bank management to its own system
- Current state
 - (PNC) CA\$HLINK II
 - Summary-level deposit (and payment) reporting
 - Concentration through ACH debits & Fedwires
 - Bank Management (commercial bank controls and compensation)
 - Restorations (of International TGA banks)
 - Remittance Express (for ACH credits)
 - Fedwire Deposit System (FDS) (for non-tax wire collections)

CCMM Business Lines: Concentration & Accounting



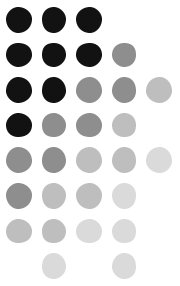
- Current state (cont.)
 - FRB CASH-LINK
 - Deposit reporting
 - FRB concentration
 - Transcript reporting
 - Goes well beyond deposits; includes payments, sale and redemption of securities, Food Stamps, Postal Money Orders
 - TIP
 - Concentrates paper FTD tax collections from TT&L depositories (commercial banks) to FRB St. Louis, before invoking FRB CASH-LINK for FRB concentration
 - SAM
 - New accounting system
 - Converts C-keys to TAS and BETC details
 - Will continue in the end-state

CCMM Business Lines: Concentration & Accounting



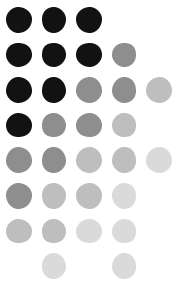
- Future state
 - Consolidate certain (PNC) CA\$HLINK II & FRB CA\$H-LINK functions in Treasury Cash Management System (TCMS)
 - Concentration
 - Cash activity transcripts
 - Cash position monitoring
 - Replaces much functionality currently in CASH TRACK
 - Bank management is separated out and becomes its own application
 - Restorations are handled separately
 - Fedwire Deposit System and Remittance Express subsumed by new Settlement Applications
 - TIP's concentration functions will be unnecessary after the elimination of paper FTD collections in the TT&L program

CCMM Business Lines: Forecasting



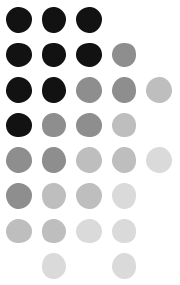
- Current state
 - Three systems provide forecasting and cash position monitoring capabilities
 - FPS (long-term forecasting)
 - CASH TRACK (short- and medium-term forecasting and end-of-day cash position monitoring)
 - TIP (intra-day cash position monitoring)
- Future state
 - TCMS: Cash position monitoring
 - Reusing TCMS will eliminate many redundant feeds that currently go to the CA\$HLINK systems and CASH TRACK
 - New forecasting system: Forecasting
 - Greater need for large dollar notification (LDN) data from agencies

CCMM Business Lines: Investment



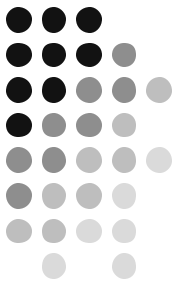
- Overview
 - Separate these functions:
 - Collections
 - Collateral management
 - Investments
 - Concentration
 - Integrate with non-TT&L activities
 - Take advantage of new investment options
- Current State
 - 9,000+ TT&L banks
 - Federal Tax Deposit (FTD) Coupons
 - Legacy TT&L Investments: Direct & retainer
 - Systems: TIP, PATAX, TT&L Plus, TERMLink, TSS, RSS

CCMM Business Lines: Investment



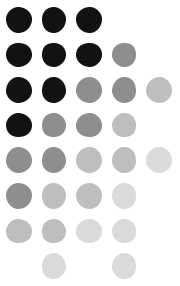
- Future state
 - Move collections, investments, concentration, collateral functionality into separate programs
 - FTD coupon collections are integrated with other FF collections (or eliminated entirely)
 - Implement new policy on investment mix (repo, TIO, direct, afternoon investments)
 - General move from Government-made investment vehicles to commercial processes
 - One investment application supporting multiple investment vehicles
 - Multiple investment systems eliminated
 - New Collateral Management application optimized to support collateral needs under the end state architecture

CCMM Business Lines: Collateral & Bank Management

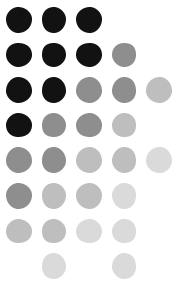


- Overview
 - Bank management and collateral monitoring and management become separate systems
- Current State
 - Bank management is part of CA\$HLINK II
 - Collateral monitoring and management is part of TIP
 - 202 (Depositories)
 - 203 (Investments)
 - 225 (Sureties)
- Future State
 - Systems dedicated exclusively to bank management and collateral monitoring and management
 - Improved agency access to collateral information

CCMM Business Lines: Other Changes

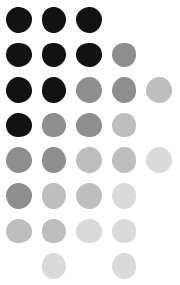


- Centralize call center operations
- Determine online banking strategy
- Update CFR, TFM, and FR Operating Circulars
- Agency outreach



Summary of Agency Impact

- FMS collection programs will be more logically organized and fewer in number than is the case today
 - Collection programs that agencies deal with will be organized around channels (OTC, mail, Internet, etc.)
- Transaction reports and deposit reports will be centralized in one system (TRS)
 - Less reconciliation for agencies
- Greater emphasis on obtaining accurate LDNs from agencies
- Improved agency access to collateral data



Short-Term Objectives

- Determine which remaining lines of business go to FRBs and which go to commercial banks
- Finalize agent bank decisions
- Complete Subplans and place under change control
- Update existing 18-month project plans based on CCMM Subplans and agent selections
- Identify specific approach for the forecasting system of the future, addressing roles of FPS, CASH TRACK, TIP, and TCMS
- Implement STAR interfaces to FPS
- Perform cost/benefit analysis on the long-term use of TIP for collateral management
- Determine the Image Archive platform
- Complete plan for moving restorations out of CA\$HLINK II
- Complete build of TRS platform
- Educate agencies on CCMM
- Educate commercial banks on CCMM
- Develop FASP (financial agent selection process) documents
- Eliminate non-value Fedwires in FR-ETA
- Continue reducing the number of TGA banks
- Roll out ECP to all GLN banks
- Transition to new card acquirer